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April 12, 1996

BY HAND

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William F. Caton
Acting Secretary
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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APR 12 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

CC Docket No. 96-45
Comments of the Virginia's
Rural Telephone Companies

Dear Mr. Caton:

Transmitted herewith on behalf of the Virginia's Rural Telephone Companies are an original and four copies of comments in the above-referenced proceeding.

If you have any questions concerning this filing, please call me.

Very truly yours,

Charles H. Carrathers, III

Enclosure

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Before the
FEDERAL COMMUNICATIONS COMMISSION

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APR 12 1996¹

Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

)

CC Docket No. 96-45

Federal-state Joint Board

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on Universal Service

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COMMENTS OF VIRGINIA'S RURAL TELEPHONE COMPANIES

These Comments are filed on behalf of a group of Virginia rural telephone companies and cooperatives ("Companies")^{1/} pursuant to the Federal Communications Commission's Notice of Proposed Rulemaking and Order Establishing Joint Board (NOPR), dated March 8, 1996.

^{1/} The Companies sponsoring these Comments are:

Amelia Telephone Corporation
Buggs Island Telephone Cooperative
Burke's Garden Telephone Company
Citizens Telephone Cooperative
Clifton-Forge Waynesboro Telephone Company
Highland Telephone Cooperative
MGW Telephone Company
New Castle Telephone Company
New Hope Telephone Company
North River Telephone Cooperative
Pembroke Telephone Cooperative
Peoples Mutual Telephone Company
R&B Telephone Company
Scott County Telephone Cooperative
Shenandoah Telephone Company
Virginia Telephone Company

Original

The NOPR seeks comment on many significant issues affecting universal service and the various support mechanisms for such service. All the issues identified in the NOPR are especially important to the Companies, in large part because all the Companies serve in predominately rural areas of Virginia^{2/} and many of them rely on the current universal service funding mechanisms to maintain the affordability of local exchange telephone service.

The issues raised in the NOPR reflect the fact that the Telecommunications Act of 1996 ("the Act") fundamentally changes the concept of universal service, especially as this concept is applied in rural areas. For example, subsection 254(b) of the Act sets forth certain principles on which the FCC and the Joint Board must base their universal service policies. These principles provide, among other things, that: (1) quality services should be made available at just, reasonable, and affordable rates; and (2) consumers in rural and high-cost areas of the Nation should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, "that are reasonably comparable to those services provided in urban areas and that are provided at rates that are reasonably comparable to rates charged for similar services in urban areas." Thus, the traditional concept of universal service -- ensuring that consumers throughout the Nation have access to basic dialtone telephone service -- has been significantly expanded to include access to interexchange services and advanced services.

The Companies' comments will briefly address the following issues: (1) the identification of "core" services to be provided to consumers in rural and high-cost areas; (2)

^{2/} Each Company is a "rural telephone company" as defined by the Telecommunications Act of 1996.

the identification of advanced services to be made available in rural and high-cost areas; (3) the entities that should be required to contribute to the funding of universal service obligations; and (4) the method of distributing universal service funds.

Although our comments do not address all the issues identified in the NOPR, the Companies respectfully reserve the right to address additional issues in their reply comments, if any, and to participate fully in any hearings or further proceedings in this docket.

Discussion

1. Core Services

The Companies agree with the FCC that the following services should be included among those core services receiving universal service support: (1) voice grade access to the public switched network with the ability to place and receive interexchange and intraexchange calls; (2) touch-tone; (3) single party service; (4) access to emergency services (911); and (5) access to operator services. In addition to these services, the Companies believe that directory listings and access to relay services should also be included among the core services receiving universal service support.

2. Access to Advanced Services

In addition to the core services discussed above, the Act requires that consumers in rural and high-cost areas of the Nation have access to interexchange services and advanced telecommunications and information services that are reasonably comparable to those services provided in urban areas and that are provided at rates that are reasonably comparable to rates charged for similar services in urban areas.

As a practical matter, the urban benchmark for determining the type of "reasonably comparable" advanced services that should be made available in rural and high-cost areas will vary according to the demographic characteristics in a given area. The Companies believe that the state commissions are best able to determine the appropriate urban benchmark for their respective states, and these state-established benchmarks could then be presented to the Joint Board and the FCC for the establishment of a nationwide urban benchmark.

For example, if a state identifies local internet access as a service that should be included in its urban benchmark and thus be made available to rural and high-cost areas at rates reasonably comparable to the rates charged in urban areas, the state can present this finding to the Joint Board or FCC. The Joint Board or FCC can then determine whether local internet access is appropriate for inclusion in a national urban benchmark and thus be eligible for federal universal service support, based on the urban benchmark information developed in all the states. If the Joint Board or FCC elects not to include local internet access in its national urban benchmark, then each state might have the option to include this service in any intrastate universal service support mechanism permitted under subsection 254(f) of the Act. This approach would help ensure that a core group of advanced services are made available to rural and high-cost areas through the federal universal service support mechanism, but would also allow a state to augment this core group of services to reflect the unique demographic characteristics of that state's urban areas.

Assuming the FCC or the states identify certain advanced services that should be made available in rural and high-cost areas, the Companies do not believe that incumbent

LECs should be required in all instances to provide these services. For example, local internet access may be provided by an entity other than the incumbent LEC for any given area. If so, then this rural or high-cost area already has access to this service, and the LEC should not be required to offer this service. In other words, the FCC and states should focus on whether a service is available in a given area, not on the provider of such service.

3. Contributors to Universal Service Funding

The Act appears to be ambiguous as to precisely which telecommunications providers the FCC may require to contribute to universal service funding. Subsection 254(b)(4) provides that the Joint Board and the FCC shall base policies for the preservation and advancement of universal service on the principle that all providers of telecommunications services should make an equitable and nondiscriminatory contribution. The Act defines providers of telecommunications services to include providers of intrastate and interstate telecommunications services.

Subsection 254(d), however, requires only interstate telecommunications providers to contribute to the FCC's universal support mechanisms. With respect to intrastate carriers, subsection 254(f) allows states to adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service, and goes on to state that "Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the state to the preservation and advancement of universal service in that state."

The relationships between subsections 254(b)(4), (d) and (f) are not clear. For example, how can the FCC base policies for the preservation and advancement of universal service on the principle that all providers of telecommunications services should make equitable and nondiscriminatory contributions as set forth in § 254(b)(4) where only interstate carriers are required to contribute to any federal universal service mechanism under § 254(d)? One may argue that under § 254(b)(4) the FCC may require states to adopt similar approaches for implementing universal service mechanisms so that the FCC can develop a coherent universal service policy in accord with § 254(b)(4). But such a requirement would appear to conflict with § 254(f), which seems to allow the states to determine their own universal service funding mechanisms applicable to intrastate providers.

The Companies believe that the FCC should require all providers of telecommunications services to contribute to the FCC's universal funding mechanism, but allow the states to implement their own methods for collecting contributions from intrastate providers. In this way, the FCC can base its policies on the principle that all providers should contribute to universal service funding in accord with § 254(b)(4), while at the same time each state can implement its own method of collecting contributions from intrastate telecommunications providers in accord with § 254(f).

4. Funding Mechanisms

In past proceedings, some parties have urged the FCC to adopt a voucher system or similar system for universal service under which funds or credits are distributed directly to qualifying customers. The Companies believe that such a funding mechanism is unworkable

and that universal service funds should be distributed to the carriers of last resort for any given area.

Respectfully submitted,

VIRGINIA'S RURAL TELEPHONE
COMPANIES

A handwritten signature in cursive script, reading "Charles H. Carrathers III".

Charles H. Carrathers III
Counsel

Date: April 12, 1996

Richard D. Gary
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